PICA group

October 26, 2007

Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767

RE: Podiatry Insurance Company of America, a Mutual Company
NAIC #: 3504-14460 FEIN #: 58-1403235
Line 11 - Medical Malpractice- Claims Made Only
Podiatrists Professional Liability Program CHANGE OF CLAIM-FREE DISCOUNT
Amendatory Rule Filing
Company Filing #: IL-1002-P
Effective Date: January 1, 2008

Dear Sir or Madam:

Pursuant to the applicable state filing law, we would like to submit revisions to our Illinois Rating Manual Supplement currently used with the above-referenced program. A detailed description of our proposed revision appears in our Explanatory Memorandum.

We trust that the submitted materials will meet with your approval. If you have any questions or concerns, please do not hesitate to contact us.

Sincerely,
Latasha Knox-Campbell
Latasha Knox-Campbell
Product Compliance Analyst

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Jeh

110 Westwood Place • Brentwood, TN 37027
1-800-251-5727 x2201 • Fax 615-370-4803 • lcampbell@picagroup.com

Neuman, Gayle

From: Latasha Knox-Campbell [lcampbell@picagroup.com]
Sent: Monday, February 11, 2008 4:00 PM
To: Neuman, Gayle
Subject: RE: Medical Malpractice Rule Filing for Podiatry Insurance Company of America, a Mutual Company under Company Filing Number IL-1002-P

Ms. Neuman,

We had indicated a requested effective date of January 1, 2008, for this filing. We wanted to wait and actually received approval of the filing before using the new rule. However, we were notified on another rule filing under another profession that is currently pending with the department that it could be months before that filing is fully reviewed.

We would now like to request a April 1, 2008, effective date so that we can notify our policyholders within the proper time notice for Illinois of the change proposed.

Thank you,

Latasha

-----Original Message-----
From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Monday, February 11, 2008 3:45 PM
To: Latasha Knox-Campbell
Subject: RE: Medical Malpractice Rule Filing for Podiatry Insurance Company of America, a Mutual Company under Company Filing Number IL-1002-P

Ms. Knox-Campbell,

Although the filing is still pending, the original submission indicated an effective date of 10/31/2007. We are assuming you did not implement the filing as of that date pursuant to your attached e-mail. We will change the effective date to 4/1/2008 unless you submit an additional correction.

Gayle Neuman
Division of Insurance

From: Latasha Knox-Campbell [mailto:lcampbell@picagroup.com]
Sent: Monday, February 11, 2008 3:39 PM
To: Armstrong, Kathi
Subject: Medical Malpractice Rule Filing for Podiatry Insurance Company of America, a Mutual Company under Company Filing Number IL-1002-P

Ms. Armstrong,

I am trying to find the status of the above listed filing which was submitted to the department via paper on October 26, 2007.
We filed a claims-free discount rule. Under the department's "Use and File" filing law, we would like to implement this filing
with an effective date of April 1, 2008.

Our NAIC Number is 3504-14460 and FEIN Number is 58-1403235.

Thank you,

Latasha Knox-Campbell
Product Compliance Analyst, PICA Group
1-800-251-5727 (ext. 2201)
(615) 371-8776 (ext. 2201)

EXPLANATORY MEMORANDUM
Podiatry Insurance Company of America, a Mutual Company
Podiatrists Professional Liability Program
Amendatory Rule Filing – State of Illinois

With this filing we are submitting for your approval revisions to the rules used with and previously approved for our Podiatrists Professional Liability Program. We are submitting for the Department's approval a premium discount rule for those policyholders who have been claim-free for a period of 5 years or for a period of 10 years. For those policyholders who meet the "claim-free" definition for a period of 5 years, a 5% premium discount will apply. For those policyholders who meet the "claim-free" definition for a period of 10 years, a 10% premium discount will apply. We are proposing that the new rule be applied to all policies renewing on or after January 1, 2008.

The company plans to implement this new rule on a countrywide basis. As of the date of our submission, the new rule is pending the approval of only seven other states.

Offering a discounted premium for policyholders without claims has become somewhat of a norm for this line of business. Our primary competitors, AIG and ACE American each offer a discounted premium for podiatrists who are loss free. ACE American's discount is a credit of 10% for those who have been loss free for 5 years. AIG's discount is the same as that of ACE American's. A credit of 10% is applied for podiatrists who are loss free and in practice for more than 5 years.

Without the ability to offer our policyholders a claim-free discount, we find ourselves at a considerable marketing disadvantage to our competitors. We are requesting this rule revision in order to offer our valued Alaskan policyholders a comparable discount to what is generally available to them in the marketplace. Accordingly, we respectfully request the Department's consideration and approval of our filing.

We have added Rule I.E.9. as Item V. on page 5 of our Illinois Rating Manual Supplement Ed. 1-08. No other changes were made to our supplement. We have also enclosed our previously approved Podiatric Rating Manual Ed. 1-05.

Neuman, Gayle

From: Latasha Knox-Campbell [LKnox-Campbell@picagroup.com]
Sent: Monday, August 11, 2008 8:47 AM
To: Neuman, Gayle
Subject: RE: Podiatry Ins Co of America - Rate/Rule Filing #IL-1002-P

Ms Neuman,

The filing under filing number IL-867-P was a 5% rate decrease. Our generic rating manual and Illinois rating supplement were not changed in relation to this filing. The current approved versions were submitted for informational purposes when the filing was made.

Sincerely,

Latasha

-----Original Message-----
From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Monday, August 11, 2008 8:14 AM
To: Latasha Knox-Campbell
Subject: RE: Podiatry Ins Co of America - Rate/Rule Filing #IL-1002-P

Ms. Knox-Campbell,

I will just attempting to update your manual. Filing #IL-867-P was also filed effective 4/1/08. You can't have two versions of the same pages with the same effective date. Technically, this could never have had a 1/1/08 effective date. Please advise - did you apply both filings on the same date?

Gayle Neuman
Division of Insurance

From: Latasha Knox-Campbell [mailto:LKnox-Campbell@picagroup.com]
Sent: Tuesday, August 05, 2008 1:51 PM
To: Neuman, Gayle
Subject: RE: Podiatry Ins Co of America - Rate/Rule Filing #IL-1002-P

Ms. Neuman,

Thank you for your notification. We initially were going to wait for approval. But after notifying the department, we implemented the filing with a 4/1/08 effective date.

Thank you,

Latasha Knox-Campbell

-----Original Message-----
From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Tuesday, August 05, 2008 1:15 PM
To: Latasha Knox-Campbell
Subject: Podiatry Ins Co of America - Rate/Rule Filing #IL-1002-P

Ms. Knox-Campbell,

The above referenced filing was submitted in October, 2007. You requested an effective date of January 1, 2008. The Director of Insurance signed off on this filing as of August 4, 2008. Many insurers will ask for an effective date, but they end up waiting for the date we "file" the submission before they use it although that is not necessary. Please indicate if Podiatry Insurance Company of America implemented the filing as of January 1, 2008. If not, please indicate the effective date that was or will be utilized.

Thank you for your prompt attention.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (http://www.idfpr.com/) by clicking on: Insurance; Industry; Regulatory; IS3
Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

PODIATRY INSURANCE COMPANY OF AMERICA
A MUTUAL COMPANY

PODIATRIC

RATING MANUAL

PODIATRY INSURANCE COMPANY OF AMERICA
A MUTUAL COMPANY

PODIATRIC RATING MANUAL

I. GENERAL RULES

This manual includes underwriting rules and regulations as they relate to underwriting for Podiatric Physician Malpractice Liability.

A. INSURED CLASSIFICATION

1. Preceptee: Coverage is provided for podiatric college graduates or residents entering preceptorship (apprenticeship/training) programs conducted by preceptors who are PICA policyholders. The preceptorship program must last for one year, both preceptee and preceptor must sign the Preceptorship Certificate and the preceptor must be insured by PICA. Optional Extension Coverage is issued concurrently with the policy and earned completely on the first day of the policy. Financial responsibility is with the named insured.

2. Resident: Coverage is provided for residents in an American Podiatric Medical Association Council on Podiatric Medical Education approved program or a program in candidate status. Optional Extension Coverage is issued concurrently with the policy and earned completely on the first day of the policy. Financial responsibility is with the named insured. Coverage is only for responsibilities as a part of the residency program.

   Coverage requested for moonlighting must be approved by the Residency Director. If approved by the Residency Director, a new practitioner policy will be issued with the proper classification (sole practitioner or employed podiatrist). The resident must weigh the benefit of moonlighting since the new practitioner policy does not include Optional Extension Coverage (OEC coverage). The next year will be rated under the second year premium. "Documentation" is critical for the underwriting file.

   a. Veterans Administration Residency: This is a modification of the existing resident policy, allowing more than one resident to be covered under one policy. The policy will cover residents during rotations outside of the Veterans Administration facility, not to exceed 261 days per premium charged. Outside rotations must be an integral part of the residency program. Individuals must be "Scheduled" on the policy with the Optional Extension Coverage endorsement being issued upon receipt of the final audit from the residency program. This ensures proper documentation of outside rotations as well as appropriate premium charges. Financial responsibility of this policy is contracted by signature with the residency director on the "Schedule." Risk management discounts will not be allowed on this policy, but will be allowed when the resident renews as a new practitioner.

3. Partnership, Corporation or Professional Association: All owners in the entity must be insured with PICA and maintain the same Limits of Liability. There is no additional premium for a "shared" Limit of Liability.

   Unless required by state regulations, separate Limit of Liability is optional for an additional 5% of the total premium charged to each insured in the corporation or partnership. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.

4. Ambulatory Surgical Center: Coverage is provided with the following criteria:
   a. A majority of the owners must be insured with PICA.
   b. Coverage of $1,000,000/3,000,000 is mandatory.
   c. A Certificate of Insurance is required from all non-PICA users with Limits of Liability of $1,000,000/3,000,000.
   d. A written agreement must be provided between the facility and a local hospital where immediate admission will be granted in the event of an urgent or emergency situation.
   e. Premium will be based on PICA's mature $1,000,000/3,000,000 coverage multiplied by the total number of podiatric physicians(with the exception of PICA insured employed podiatrists and podiatric residents) multiplied by 10%. Coverage is provided for the ambulatory surgical center based upon the total number of PICA insured owners, non-PICA insured owners and all non-owner podiatric physician users.

5. Podiatric Medical Schools: Separate application and policy forms are available for institutional coverage to include residents, teaching staff and students.

B. SURGICAL AND NON-SURGICAL POLICY DEFINITION Coverage is provided for all procedures authorized by state statute and/or regulation in each state a license is held.

Surgery shall include any procedure requiring an anesthetic or intravenous or gaseous sedation including post-operative treatment. Exceptions to this definition include diagnostic and therapeutic injections, surgical procedures involving the nails, excision of skin lesions, incision and drainage of abscesses and the treatment of ulcers.

Post operative treatment will be covered under a non-surgical policy if and only if the podiatric physician performing the surgery maintains a surgical policy with PICA.

A podiatric physician acting as an assistant surgeon will not be covered under a non-surgical policy.

C. POLICY TERM

Policies are written for a one year term and renewed annually thereafter. On exception, a short term policy may be issued on a pro-rata basis and then renewed for an annual term thereafter.

D. PREMIUM COMPUTATION/ROUNDING TABLE

1. All premiums are for an annual period.

2. Computation of the premium at inception uses the premium in effect at the time. Retroactive coverage will be provided to the insured's previous policy retroactive date (provided that the podiatric physician's prior policy is a claims-made policy). At each renewal, computation of the premium will be at the premium in effect at the time.

3. Premiums are calculated as specified for the respective coverage (i.e. surgical, non-surgical, resident or preceptee).

4. Each insured is rated in the state and/or territory where he or she practices more than 50% of the time.

5. Rounding to the nearest dollar amount is done at each step of the computation process, as opposed to rounding the final premium. (Round a premium involving $.50 or over to the next higher whole dollar; less than $.50 to the previous whole dollar.)

E. PREMIUM DISCOUNTS

1. Employed Podiatrist: A podiatrist must be employed 100% of the time without ownership interest to receive a 25% employed podiatrist discount. The insured cannot have any ownership interest and work for the corporation and receive the employed podiatrist discount. It is pertinent to know who provides coverage for the employer.

2. New Practitioner: The first-year professional liability claims-made premium is reduced 75%, the second-year premium 50%, the third-year premium 35% and the fourth-year 20%. No finance charges will be applied to the first, second, third or fourth year.

   This applies to recent podiatric medical school and/or residency graduates, practitioners who have completed a preceptorship, practitioners who have completed three years of service in one of the Armed Forces or other government programs.

A new practitioner who has completed an American Podiatric Medical Association Council on Podiatric Medical Education (CPME) approved residency program or a program that is in candidate status will be provided with free retroactive coverage. The practitioner must submit verification of prior claims-made insurance coverage with no lapse.

The new practitioner discount will be allowed for applicants requesting retroactive coverage up to four years in practice.

3. Risk Management: A 10% risk management discount will apply to the following year's annual renewal premium for completing a home study course or attending a PICA/Podiatry Institute meeting. An additional 5% to 15% discount is applied for attending PICA designated risk management meetings that may be a component of an existing podiatric conference as determined by the risk management committee dependent upon the structure and composition of the meeting. The maximum risk management discount available is 15%.

   A 10% discount will be granted to new applicants who have completed a risk management program which would have qualified for a risk management discount with their previous carrier.

4. Semi-Retired: Premiums are reduced by 50%. To qualify for this discount, the insured must be at least 55 years of age, must have been insured with PICA for at least five years immediately prior to becoming semi-retired and must not practice more than 20 hours a week. Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

5. Part Time: To qualify for this discount, the insured must practice 1-10 hours to receive a 50% discount or 11-20 hours a week to receive a 25% discount. These discounts will apply to surgical and non-surgical policyholders.

6. Residency Director: An insured who is an appointed Residency Director by the Council of Podiatric Medical Education will be entitled to a 25% discount off his or her individual malpractice premium.

7. Multiple Discounts: The practitioner will receive the greater of the classification discount that applies. For example an insured would receive a 50% semi-retired discount and not an employed podiatrist discount.

8. The following schedule of credits or debits may be used to modify premium for certain insureds, reflecting unique exposure present in those risks. These insureds may qualify for schedule rating because of factors not contemplated in the filed rate structure of the company. Pursuant to underwriting judgment, any or all of the following factors may be considered when assigning credits or debits. A combined maximum credit

or debit of 25% may be applied to recognize risk characteristics that are not reflected in an otherwise applicable rate. Any credits or debits assigned under this plan are subject to annual review. All premium modifications will be noted and documented in the individual insured's file with any premium credit and/or debit in excess of 10% requiring approval of the Underwriting Vice President. Premiums may be modified based upon the following exposure and rating characteristics:

	Credit	Debit
Participation in risk management program	0-15%	N/A
Unusual risk characteristics	0-25%	0-25%
Claims free discounts	0-10%	N/A
Record keeping	0-10%	0-10%
Professional loss history/trends	N/A	0-25%
Group practice or association membership	0-20%	N/A

(N/A = not applicable)

F. COVERAGE CHANGE REQUEST

The premium and rules in effect on the effective date of change apply. Coverage may be increased or decreased at any time during the policy year. Premium changes will be computed on a pro-rata basis.

1. Endorsements: Policies involving corporation, partnership or professional association limits of liability must be consistent. Endorsements are not back dated unless coverage has been replaced and verified. Any change in coverage must be submitted in writing and signed by the named insured.

2. Prior Surgery Covered: For a podiatric physician requesting a change from surgical to non-surgical coverage, the premium will be calculated by averaging the sum of the applicable surgical and non-surgical premium. Subsequent renewal premium will be based on the non-surgical premium.

3. Retroactive Coverage: A copy of the applicant's current declaration page is required to verify the retroactive date. The Underwriting Committee may not approve retroactive coverage. If retroactive coverage is not approved, the applicant will be advised that Optional Extension Coverage should be purchased from their previous carrier. A practitioner accepted on probation is not allowed retroactive coverage.

4. Leave of Absence: This endorsement interrupts the premium and policy for special circumstances. These include, but are not limited to illness, childbirth, sabbatical leave, additional training and other situations as approved by the Underwriting Department. A premium rate of 25% of the practitioner's current premium calculated on a pro rata basis will apply.

5. Locum Tenens Coverage: This coverage will be offered at no charge for periods of sixty days within any policy year, subject to underwriting approval of the replacement podiatric physician.

G. RETURN PREMIUM POLICY

1. Deletion of a state mandated coverage is not permitted unless the entire policy is canceled.

2. Premium will be computed for policy cancellation utilizing the initial premium charged. Short rate computation will apply to requested and non-payment cancellations.

3. Return premium will be computed pro-rata by rounding to the next higher whole dollar when any coverage is deleted or an amount of insurance is reduced.

4. Premium of $5.00 or less will be waived or returned to the Insured if requested. This waiver only applies to cash exchange due on the endorsement effective date.

5. Return premium is sent to the "Named Insured" regardless of who makes the premium payment. In the event of death of an insured, the return premium is sent "To The Estate of ...."

H. POLICY CANCELLATION

1. Return premium is computed pro-rata and rounded to the next higher whole dollar when:
   a. a policy is canceled by the Company.
   b. a policy is canceled by the Insured because of retirement, disability or death.

   (Notices are sent by certified mail to verify receipt of notification.)

2. Return premium is computed short-rate and rounded to the next higher whole dollar when:
   a. a policy is canceled by the Insured.
   b. a policy is canceled for non-payment of premium

   (Notices are sent by certified mail to verify receipt of notification.)

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. A policyholder will be permitted <u>two</u> consecutive non-payment of premium cancellation notices. If it becomes necessary for a third consecutive cancellation notice, the cancellation notice will indicate the policy is being canceled for "Underwriting Reasons" and the coverage will not be reinstated.

a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.

b. Cancellation notice will be sent by certified mail return receipt requested.

II. INSURANCE COVERAGE

This policy includes but is not limited to mandatory Professional Liability coverage as a result of providing or failing to provide professional services on a Claims-Made form. A recently developed plain-language, Modified Claims-Made policy is available for use in states that predominantly offer a Modified Claims Made or Occurrence form. General Liability coverage may be purchased by the policyholder as an optional coverage. Coverages available:

A. Individual Professional Liability

B. Corporation Professional Liability
1. Shared Limit of Liability at no additional charge
2. Separate Limit of Liability is optional for an additional 5% of the total premium charged to each insured in the corporation or partnership. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.

C. General Liability Coverage
This is an optional coverage that responds to Business Premises Liability and Personal Injury Liability on behalf of the Insured. Medical Payments are $250 with Bodily Injury Liability the same limits of liability as selected for the professional liability coverage. Property Damage Limits are $5,000 and Personal Liability limits are $100,000. Annual premiums are indicated below determined by the Bodily Injury limit:

Bodily Injury	One Location	Two or More Locations
$1,000,000/3,000,000	$51.00	$85.00
$1,000,000/1,000,000	$47.00	$78.00
$500,000/$1,000,000	$42.00	$70.00
$250,000/500,000	$38.00	$63.00
$200,000/600,000	$36.00	$60.00
$100,000/300,000	$30.00	$50.00

D. Administrative Defense Coverage Endorsement will cover medical licensing board actions, hospital medical staff peer review actions, managed care decertification actions and Medicaid/Medicare (and other payor) billing and coding errors and omissions.

Included in the current premium, this coverage will be attached by endorsement to all policyholders *(with the exception of residents, preceptees and new practitioners)*. This coverage may be purchased by those "newer" practitioners as indicated below:

Residents, Preceptees or First Year New Practitioners $200

Second Year New Practitioners	$400
Third Year New Practitioners	$600
Fourth Year New Practitioners	$800

III. LIMITS OF LIABILITY

A. $ 100,000 Each Claim / $ 300,000 Annual Aggregate
B. $ 200,000 Each Claim / $ 600,000 Annual Aggregate
C. $ 250,000 Each Claim / $ 500,000 Annual Aggregate
D. $ 500,000 Each Claim / $1,000,000 Annual Aggregate
E. $ 500,000 Each Claim / $1,500,000 Annual Aggregate
F. $1,000,000 Each Claim / $1,000,000 Annual Aggregate
G. $1,000,000 Each Claim / $3,000,000 Annual Aggregate

Refer to Company for additional Limit of Liability options.

Requests for higher limits of liability must be approved by the Vice President of Underwriting. When limits are requested in excess of $1,000,000/3,000,000, approval by PICA reinsurers, through the Chief Financial Officer, is mandatory.

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

A. The percentages in the following Table shall be applied to the mature claims-made premium (4th year premium) in the year coverage is being purchased.

Years of Prior PICA Claims-Made Coverage	Percentage of 4th Year Claims-Made Premium
One	100%
Two	155%
Three	175%
Four or More	180%

B. The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred subsequent to the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).

3. Extended Reporting Period Coverage is granted at no charge in the event

of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.

4. Extended Reporting Period Coverage will be available to all podiatric physicians except those who are canceled for non-payment of premium and/or non-compliance with the terms and conditions of the policy.

5. Should an insured terminate coverage, the insured may purchase Extended Reporting Period Coverage. The insured is eligible for this coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 30 days of policy termination and premium is paid.
   b. The insured requests Extended Reporting Period Coverage within 30 days after the effective date of cancellation of the policy.

6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

Consecutive Years with PICA	Discount Applicable To Extended Reporting Period Coverage Premium
1	20%
2	40%
3	60%
4	80%
5	100%

   Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

   Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.

RATING MANUAL SUPPLEMENT
Podiatry Insurance Company of America

State of Illinois

I. Item # 3 under Subsection H. **POLICY CANCELLATION** of Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following:

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review, and will be charged a $50 reinstatement fee.

    a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
    b. Cancellation notice will be sent by certified mail return receipt requested.

II. Section **IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)** is hereby deleted in its entirety and replaced with the following:

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

For Malpractice Liability

A. The premium for the optional Extended Reporting Period Coverage shall be the product of the applicable percentage factor in the following Table and the expiring annual premium of the policy:

Years of Prior PICA Claims-Made Coverage	Percentage of 4th Year Claims-Made Premium
One	100%
Two	155%
Three	175%
Four or More	180%

RATING MANUAL SUPPLEMENT
Podiatry Insurance Company of America

State of Illinois

I. Item # 3 under Subsection H. **POLICY CANCELLATION** of Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following:

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   a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
   b. Cancellation notice will be sent by certified mail return receipt requested.

II. Section **IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)** is hereby deleted in its entirety and replaced with the following:

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

For Malpractice Liability

A. The premium for the optional Extended Reporting Period Coverage shall be the product of the applicable percentage factor in the following Table and the expiring annual premium of the policy:

Years of Prior PICA Claims-Made Coverage	Percentage of 4th Year Claims-Made Premium
One	100%
Two	155%
Three	175%
Four or More	180%

The number of consecutive years of prior claims-made coverage shall be determined as of the date the optional Extended Reporting Period Coverage is purchased.

B. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance) for a period of unlimited duration.

3. Extended Reporting Period Coverage is granted at no charge in the event of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.

4. Extended Reporting Period Coverage will be available to all insureds.

5. The insured may purchase optional Extended Reporting Period Coverage. The insured is eligible for this coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 30 days of the effective date of termination; and
   b. any outstanding premium with respect to the terminated policy is paid

6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

The number of consecutive years of prior claims-made coverage shall be determined as of the date the optional Extended Reporting Period Coverage is purchased.

B. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance) for a period of unlimited duration.

3. Extended Reporting Period Coverage is granted at no charge in the event of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.

4. Extended Reporting Period Coverage will be available to all insureds.

5. The insured may purchase optional Extended Reporting Period Coverage. The insured is eligible for this coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 30 days of the effective date of termination; and
   b. any outstanding premium with respect to the terminated policy is paid

6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

Consecutive Years with PICA	Discount Applicable To Extended Reporting Period Coverage Premium
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.

8. The Company shall inform the Insured of the optional Extended Reporting Period Coverage (ERP) premium at the time the last policy is purchased. The Company may not wait until the Insured requests to purchase the ERP to tell the Insured what the premium will be or how the premium would be calculated.

9. The following credits: Employed Podiatrist, New Practitioner, Part –Time, Semi-Retired and Residency Director (as defined under Rule I.E.) shall, if applicable, be applied when determining the final extended reporting period premium.

   The following credits: Leave of Absence and Risk Management (as defined under Rule I.E.) shall not be applied when determining the final extended reporting period premium.

10. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

<u>For General Liability</u>

A. For General Liability, there is no additional premium charge for an unlimited reporting period under the optional Extended Reporting Period Coverage.

Consecutive Years with PICA	Discount Applicable To Extended Reporting Period Coverage Premium
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.

8. The Company shall inform the Insured of the optional Extended Reporting Period Coverage (ERP) premium at the time the last policy is purchased. The Company may not wait until the Insured requests to purchase the ERP to tell the Insured what the premium will be or how the premium would be calculated.

9. The following credits: Employed Podiatrist, New Practitioner, Part –Time, Semi-Retired and Residency Director (as defined under Rule I.E.) shall, if applicable, be applied when determining the final extended reporting period premium.

   The following credits: Leave of Absence and Risk Management (as defined under Rule I.E.) shall not be applied when determining the final extended reporting period premium.

10. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

For General Liability

A. For General Liability, there is no additional premium charge for an unlimited reporting period under the optional Extended Reporting Period Coverage.

B. For General Liability, if the insured does not choose the free unlimited reporting period coverage, they will be provided a free 5 year extended reporting period after the free 60-day Automatic Extended Reporting Period.

C. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. During the Automatic Extended Reporting Period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

   Under the option of an unlimited extended reporting period, 100% of the aggregate liability limit of the current claims-made policy shall be reinstated for the duration of the extended reporting period.

   Under the option of a free five year extended reporting period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of bodily injury, property damage or personal injury which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).

3. Extended Reporting Period Coverage will be available to all insureds.

4. The insured is eligible for the optional Extended Reporting Period coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 60 days of the effective date of termination; and
   b. any outstanding premium with respect to the terminated policy is paid

5. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

B. For General Liability, if the insured does not choose the free unlimited reporting period coverage, they will be provided a free 5 year extended reporting period after the free 60-day Automatic Extended Reporting Period.

C. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. During the Automatic Extended Reporting Period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

   Under the option of an unlimited extended reporting period, 100% of the aggregate liability limit of the current claims-made policy shall be reinstated for the duration of the extended reporting period.

   Under the option of a free five year extended reporting period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of bodily injury, property damage or personal injury which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).

3. Extended Reporting Period Coverage will be available to all insureds.

4. The insured is eligible for the optional Extended Reporting Period coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 60 days of the effective date of termination; and
   b. any outstanding premium with respect to the terminated policy is paid

5. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

III. **Item E. 8. Schedule Rating** under Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following **Group Discount** as **Item E. 8.** under Section I. **GENERAL RULES**

8. Group Discount: A group of practitioners insured by the company may be eligible for a group discount based on the following:

1. Must have Uniform Tax Identification Number for billing
2. Must be a Legal Entity (i.e. Corporation, Professional Association, Partnership or Limited Liability Corporation)
3. Premium considered for discount excludes employed podiatrists
4. A total annual premium of at least $10,000 will be eligible for the group discount as follows:
   a. $10,000 - $30,000 = 6% discount
   b. $30,001 - $50,000 = 9% discount
   c. $50,001 or greater = 7% discount

IV. The following is added to Rule E., 3. Risk Management under Section I. **GENERAL RULES:**

IPMA and APMA members who attend the PICA sponsored Risk Management Seminar at either the Annual APMA or IPMA will receive a 15% Risk Management discount.

V. The following is hereby added as **Rule I. Premium Payment Plan Options** under **SECTION I. GENERAL RULES:**

I. PREMIUM PAYMENT PLAN OPTIONS

OPTION A: QUARTERLY INSTALLMENT

1. A quarterly installment option is available upon issuance of a new policy or upon renewal of an existing policy. The quarterly installment option will include an installment charge of $25.00 per installment or 1% of the total annual premium whichever is less. Available option shall be a quarterly (four payment) option with equal installments of 25% each.

   The first installment is due (as a down payment) when the policy is issued or renewed. The remaining installments are due 3, 6, and 9 months from policy inception.

2. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account.

III. **Item E. 8. Schedule Rating** under Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following **Group Discount** as **Item E. 8.** under Section I. **GENERAL RULES**

8. Group Discount: A group of practitioners insured by the company may be eligible for a group discount based on the following:

1. Must have Uniform Tax Identification Number for billing
2. Must be a Legal Entity (i.e. Corporation, Professional Association, Partnership or Limited Liability Corporation)
3. Premium considered for discount excludes employed podiatrists
4. A total annual premium of at least $10,000 will be eligible for the group discount as follows:
   a. $10,000 - $30,000 = 6% discount
   b. $30,001 - $50,000 = 9% discount
   c. $50,001 or greater = 7% discount

IV. The following is added to Rule E., 3. Risk Management under Section I. **GENERAL RULES:**

IPMA and APMA members who attend the PICA sponsored Risk Management Seminar at either the Annual APMA or IPMA will receive a 15% Risk Management discount.

V. ~~The following is hereby added as **Rule E. 9. Claims-Free Discounts** under **SECTION I. GENERAL RULES:**~~

~~9.~~ ~~Claims-Free Discounts:~~

~~One of the following discounts shall be applied to all eligible policyholders:~~

~~Five (5) years claims-free = 5% Discount~~
~~Ten (10) years claims-free = 10% Discount~~

~~To be considered claims-free, the policyholder must have no claims within the requisite time period that involve a professional liability indemnity payment.~~

VI. The following is hereby added as **Rule I. Premium Payment Plan Options** under **SECTION I. GENERAL RULES:**

I. PREMIUM PAYMENT PLAN OPTIONS

OPTION A: QUARTERLY INSTALLMENT

Arrangements may be made to allow the Insured time to pay the outstanding balance.

3. Additional premium from a policy change shall be spread over the remaining installments, if any. If there are no remaining installments, additional premium resulting from change shall be billed immediately as a separate transaction.

4. Insureds shall have the option of paying the premium in full at any time without incurring additional fees.

5. In the event that an Insured makes his/her payment after the due date, he/she will be charged a flat late fee of $10.00.

6. The Company shall not apply interest charge.

<u>OPTION B: FIVE PAYMENT PLAN</u>

1. A five payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The five payment premium plan option will include an additional 9.5% annual percentage rate finance charge. This finance charge will apply to all policyholders.

    a. <u>Collection:</u> Past due accounts will be sent for collection after three attempts have been made to clear the account. Arrangements may be made to allow the practitioner time to pay the outstanding balance.
    b. In the event that an insured makes his/her payment after the due date, he/she will be charged a flat late fee of $10.00.

<u>OPTION C: TWO PAYMENT PLAN</u>

1. A two payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The two payment premium plan option will not include a finance charge or installment fee.

<u>OPTION D: ANNUAL PAYMENT PLAN</u>

1. An annual payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The annual payment premium plan option will not include a finance charge or installment fee.

1. A quarterly installment option is available upon issuance of a new policy or upon renewal of an existing policy. The quarterly installment option will include an installment charge of $25.00 per installment or 1% of the total annual premium whichever is less. Available option shall be a quarterly (four payment) option with equal installments of 25% each.

   The first installment is due (as a down payment) when the policy is issued or renewed. The remaining installments are due 3, 6, and 9 months from policy inception.

2. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account.

   Arrangements may be made to allow the Insured time to pay the outstanding balance.

3. Additional premium from a policy change shall be spread over the remaining installments, if any. If there are no remaining installments, additional premium resulting from change shall be billed immediately as a separate transaction.

4. Insureds shall have the option of paying the premium in full at any time without incurring additional fees.

5. In the event that an Insured makes his/her payment after the due date, he/she will be charged a flat late fee of $10.00.

6. The Company shall not apply interest charge.

OPTION B: FIVE PAYMENT PLAN

1. A five payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The five payment premium plan option will include an additional 9.5% annual percentage rate finance charge. This finance charge will apply to all policyholders.

   a. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account. Arrangements may be made to allow the practitioner time to pay the outstanding balance.
   b. In the event that an insured makes his/her payment after the due date, he/she will be charged a flat late fee of $10.00.

OPTION C: TWO PAYMENT PLAN

1. A two payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The two payment premium plan option will not include a finance charge or installment fee.

OPTION D: ANNUAL PAYMENT PLAN

1. An annual payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The annual payment premium plan option will not include a finance charge or installment fee.

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Table 1-A

2009 INDICATED RATE CHANGE
REFLECTING ANTICIPATED IMPACT OF THE CLAIM FREE DISCOUNT

	Expense Item	Percentage of Written Premium
(1)	Other Acquisition Expense	13.50%
(2)	General Administrative Expense	0.20%
(3)	Profit and Contingencies	5.00%
(4)	Investment Income Offset	-8.97%
(5)	Taxes, Licenses, and Fees	0.50%
(6)	Total	10.23%
(7)	Target Loss & LAE Ratio	89.77%
(8)	Loss + ALAE	60.00%
(9)	ULAE	7.70%
(10)	Death, Disability, and Retirement Loading	5.00%
(11)	Total Loss & LAE	72.70%
(12)	Indicated Rate Change	-19.02%
(13)	Complement of Credibility	6.20%
(14)	Credibility Factor	38.47%
(15)	Credibility Weighted Indicated Rate Change	-3.50%
(16)	**Selected Rate Change**	**0.00%**

Notes:

(1) From Appendix, Exhibit 1.
(2) From Appendix, Exhibit 1.
(3) Selected by PICA management.
(4) = Item (10) of Appendix, Exhibit 2.
(5) State Premium Tax Rate
(6) = Sum of (1) through (5).
(7) = 100.00% - (6).
(8) = Item (8) from Table 2.
(9) From Appendix, Exhibit 1.
(11) = Sum of (8) through (10).
(12) = [(11) / (7)] - 100.00%.
(13) = Annual Loss Trend Factor.
(14) = Item (4) from Appendix, Exhibit 3.
(15) = [(12) x (14)] + {[100.00% - (14)] x (13)}.
(16) Selected by PICA management.

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Table 1-B

2010 INDICATED RATE CHANGE
REFLECTING ANTICIPATED IMPACT OF THE CLAIM FREE DISCOUNT

	Expense Item	Percentage of Written Premium
(1)	Other Acquisition Expense	13.50%
(2)	General Administrative Expense	0.20%
(3)	Profit and Contingencies	5.00%
(4)	Investment Income Offset	-8.97%
(5)	Taxes, Licenses, and Fees	0.50%
(6)	Total	10.23%
(7)	Target Loss & LAE Ratio	89.77%
(8)	Loss + ALAE	63.72%
(9)	ULAE	7.70%
(10)	Death, Disability, and Retirement Loading	5.00%
(11)	Total Loss & LAE	76.42%
(12)	Indicated Rate Change	-14.87%
(13)	Complement of Credibility	6.20%
(14)	Credibility Factor	38.47%
(15)	Credibility Weighted Indicated Rate Change	-1.91%
(16)	**Selected Rate Change**	**0.00%**

Notes:
(1) From Appendix, Exhibit 1.
(2) From Appendix, Exhibit 1.
(3) Selected by PICA management.
(4) = Item (10) of Appendix, Exhibit 2.
(5) State Premium Tax Rate
(6) = Sum of (1) through (5).
(7) = 100.00% - (6).
(8) = Item (8) from Table 1-A x [100.00% + Item (17) from Table 3].
(9) From Appendix, Exhibit 1.
(11) = Sum of (8) through (10).
(12) = [(11) / (7)] - 100.00%.
(13) = Annual Loss Trend Factor.
(14) = Item (4) from Appendix, Exhibit 3.
(15) = [(12) x (14)] + {[100.00% - (14)] x (13)}.
(16) Selected by PICA management.

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Table 1-C

2011 INDICATED RATE CHANGE
REFLECTING ANTICIPATED IMPACT OF THE CLAIM FREE DISCOUNT

	Expense Item	Percentage of Written Premium
(1)	Other Acquisition Expense	13.50%
(2)	General Administrative Expense	0.20%
(3)	Profit and Contingencies	5.00%
(4)	Investment Income Offset	-8.97%
(5)	Taxes, Licenses, and Fees	0.50%
(6)	Total	10.23%
(7)	Target Loss & LAE Ratio	89.77%
(8)	Loss + ALAE	67.67%
(9)	ULAE	7.70%
(10)	Death, Disability, and Retirement Loading	5.00%
(11)	Total Loss & LAE	80.37%
(12)	Indicated Rate Change	-10.47%
(13)	Complement of Credibility	6.20%
(14)	Credibility Factor	38.47%
(15)	Credibility Weighted Indicated Rate Change	-0.21%
(16)	**Selected Rate Change**	**0.00%**

Notes:
(1) From Appendix, Exhibit 1.
(2) From Appendix, Exhibit 1.
(3) Selected by PICA management.
(4) = Item (10) of Appendix, Exhibit 2.
(5) State Premium Tax Rate
(6) = Sum of (1) through (5).
(7) = 100.00% - (6).
(8) = Item (8) from Table 1-B x [100.00% + Item (17) from Table 3].
(9) From Appendix, Exhibit 1.
(11) = Sum of (8) through (10).
(12) = [(11) / (7)] - 100.00%.
(13) = Annual Loss Trend Factor.
(14) = Item (4) from Appendix, Exhibit 3.
(15) = [(12) x (14)] + {[100.00% - (14)] x (13)}.
(16) Selected by PICA management.

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Table 2

PROJECTED LOSS + ALAE RATIO FOR 2008

(1) Report Yr	(2) Trended Ultimate Losses + ALAE	(3) On-Level Premium Adjusted for Claim Free Discount	(4) On-Level Loss + ALAE Ratio
2003	2,778,640	4,051,524	68.58%
2004	2,714,400	5,120,228	53.01%
2005	2,622,000	6,071,616	43.18%
2006	4,146,240	6,450,491	64.28%
2007	4,415,600	6,104,485	72.33%
	16,676,880	27,798,344	59.99%

(5) 5 Year Weighted Average =	59.99%
(6) 4 Year Weighted Average =	58.53%
(7) 3 Year Weighted Average =	60.04%
(8) Projected Loss + ALAE Ratio for 2009 =	60.00%

Notes:	
(2)	From Column (11) of Table 3.
(3)	From Appendix, Exhibit 5.
(4)	= (2) / (3).

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Table 3

TRENDED ULTIMATE LOSSES + ALAE

A. SELECTION OF ESTIMATED ULTIMATE LOSSES + ALAE

	Estimated Ultimate Losses + ALAE				
(1) Report Yr	(2) Paid Loss Development Method	(3) Reported Loss Development Method	(4) Paid Born-Ferg Method	(5) Reported Born-Ferg Method	(6) Selected
2003	1,767,781	1,968,450	1,801,280	1,976,479	1,880,000
2004	1,870,108	1,955,072	1,993,402	1,965,772	1,950,000
2005	1,492,741	2,274,980	1,916,927	2,317,860	2,000,000
2006	908,653	5,047,199	2,491,200	4,996,917	3,360,000
2007	879,618	3,508,716	3,683,698	3,821,097	3,800,000
	6,918,901	14,754,417	11,886,506	15,078,126	12,990,000

B. TRENDING OF SELECTED ESTIMATED ULTIMATE LOSSES + ALAE

(7) Report Yr	(8) Selected Estimated Ultimate Losses + ALAE	(9) Years of Trend	(10) Loss Trend Factor	(11) Trended Ultimate Losses + ALAE
2003	1,880,000	6.5	1.478	2,778,640
2004	1,950,000	5.5	1.392	2,714,400
2005	2,000,000	4.5	1.311	2,622,000
2006	3,360,000	3.5	1.234	4,146,240
2007	3,800,000	2.5	1.162	4,415,600
	12,990,000			16,676,880

(12) Average Accident Date of Report Year 2007	6/30/2007
(13) Average Accident Date of Policy Year 2008	12/31/2009
(14) Years of Trend for Report Year 2007	2.5
(15) Currently Indicated Loss Trend Factor	6.90%
(16) Prior Selected Loss Trend Factor	4.04%
(17) Selected Annual Loss Trend Factor	6.20%

Notes:
(2) From Table 4.
(3) From Table 4.
(4) From Table 5.
(5) From Table 5.
(6) = Average of all four methods for 2003-2006.
= Average of the Bornhuetter-Ferguson methods for 2007.
(10) = [1.000 + (17)] ^ (9).
(11) = (8) x (10).

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Table 4

ESTIMATED ULTIMATE LOSSES + ALAE
LOSS DEVELOPMENT METHODS

A. PAID LOSS DEVELOPMENT METHOD

(1) Report Yr	(2) Illinois Podiatry Direct Paid Loss + ALAE	(3) Direct Paid Loss + ALAE Development Factor	(4) Estimated Ultimate Direct Loss + ALAE
2003	1,699,790	1.040	1,767,781
2004	1,710,987	1.093	1,870,108
2005	1,164,385	1.282	1,492,741
2006	511,053	1.778	908,653
2007	195,732	4.494	879,618
	5,281,946		6,918,901

B. REPORTED LOSS DEVELOPMENT METHOD

(5) Report Yr	(6) Illinois Podiatry Direct Rptd. Loss + ALAE	(7) Direct Rptd. Loss + ALAE Development Factor	(8) Estimated Ultimate Direct Loss + ALAE
2003	1,945,109	1.012	1,968,450
2004	1,939,555	1.008	1,955,072
2005	2,189,586	1.039	2,274,980
2006	4,559,348	1.107	5,047,199
2007	2,386,881	1.470	3,508,716
	13,020,480		14,754,417

Notes:
(3) Cumulative factors from Appendix, Exhibit 6.
(4) = (2) x (3).
(7) Cumulative factors from Appendix, Exhibit 7.
(8) = (6) x (7).

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Table 5

ESTIMATED ULTIMATE LOSSES + ALAE
BORNHUETTER-FERGUSON METHODS

A. Initial Expected Ultimate Direct Losses + ALAE

(1) Report Yr	(2) Illinois Podiatry Direct Earned Premium	(3) Initial Expected Ultimate Loss + ALAE Ratio	(4) Initial Expected Ultimate Direct Loss + ALAE
2003	3,636,002	72.50%	2,636,101
2004	5,105,575	65.00%	3,318,624
2005	6,054,240	56.50%	3,420,646
2006	6,753,755	67.00%	4,525,016
2007	6,695,717	67.00%	4,486,130
	28,245,289		18,386,517

B. Paid Bornhuetter - Ferguson Method

(5) Report Yr	(6) Initial Expected Ultimate Direct Loss + ALAE	(7) Expected Percentage of Ultimate Direct Loss + ALAE Unpaid as of 3/31/2008	(8) Expected Loss + ALAE Unpaid as of 3/31/2008	(9) Expected Loss + ALAE Paid as of 3/31/2008	(10) Actual Loss + ALAE Paid as of 3/31/2008	(11) Estimated Ultimate Loss + ALAE
2003	2,636,101	3.85%	101,490	2,534,611	1,699,790	1,801,280
2004	3,318,624	8.51%	282,415	3,036,209	1,710,987	1,993,402
2005	3,420,646	22.00%	752,542	2,668,104	1,164,385	1,916,927
2006	4,525,016	43.76%	1,980,147	2,544,869	511,053	2,491,200
2007	4,486,130	77.75%	3,487,966	998,164	195,732	3,683,698
	18,386,517		6,604,560	11,781,957	5,281,946	11,886,506

C. Reported Bornhuetter - Ferguson Method

(12) Report Yr	(13) Initial Expected Ultimate Direct Loss + ALAE	(14) Expected Percentage of Ultimate Direct Loss + ALAE Unreported as of 3/31/2008	(15) Expected Loss + ALAE Unreported as of 3/31/2008	(16) Expected Loss + ALAE Reported as of 3/31/2008	(17) Actual Loss + ALAE Reported as of 3/31/2008	(18) Estimated Ultimate Loss + ALAE
2003	2,636,101	1.19%	31,370	2,604,731	1,945,109	1,976,479
2004	3,318,624	0.79%	26,217	3,292,407	1,939,555	1,965,772
2005	3,420,646	3.75%	128,274	3,292,372	2,189,586	2,317,860
2006	4,525,016	9.67%	437,569	4,087,447	4,559,348	4,996,917
2007	4,486,130	31.97%	1,434,216	3,051,914	2,386,881	3,821,097
	18,386,517		2,057,646	16,328,871	13,020,480	15,078,126

Notes:
(4) = (2) x (3).
(11) = 100.00% - [1.000 / (3) from Table 4].
(8) = (6) x (7).
(9) = (6) - (8).
(10) Column (2) from Table 4.
(11) = (8) + (10).
(14) = 100.00% - [1.000 / (7) from Table 4].
(15) = (13) x (14).
(16) = (13) - (15).
(17) Column (6) from Table 4.
(18) = (15) + (17).

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Appendix, Exhibit 1

DERIVATION OF COUNTRYWIDE EXPENSE LOADINGS

A. DOLLARS OF EXPENSE

	2003	2004	2005	2006	2007	Total
(1) Other Acquisition Expense	6,441,000	10,090,000	9,272,000	10,016,000	11,396,000	47,215,000
(2) General Administrative Expense	73,000	69,000	69,000	80,000	142,000	433,000
(3) Commission and Brokerage	639,000	678,000	1,153,000	1,323,000	1,202,000	4,995,000
(4) Taxes, Licenses, and Fees	1,707,000	1,445,000	1,651,000	1,751,000	2,026,000	8,580,000
(5) ULAE	2,780,000	3,693,000	3,956,000	4,174,000	6,053,000	20,656,000
(6) Direct Earned Premium	42,006,173	50,941,950	59,953,904	71,602,574	78,179,635	302,684,236
(7) Direct Written Premium	49,062,418	52,712,468	66,424,720	79,287,645	84,382,191	331,869,442

B. EXPENSE LOADING

	2003	2004	2005	2006	2007	Total	Selected Expense Loadings
(8) Other Acquisition Expense	13.13%	19.14%	13.96%	12.63%	13.51%	14.23%	13.50%
(9) General Administrative Expense	0.15%	0.13%	0.10%	0.10%	0.17%	0.13%	0.20%
(10) Commission and Brokerage	1.30%	1.29%	1.74%	1.67%	1.42%	1.51%	1.40%
(11) Taxes, Licenses, and Fees	3.48%	2.74%	2.49%	2.21%	2.40%	2.59%	2.40%
(12) ULAE	6.62%	7.25%	6.60%	5.83%	7.74%	6.82%	7.70%

Notes:	
(1) - (7)	From PICA's Annual Statements.
(8) - (11)	Percentage of Direct Written Premium
(12)	Percentage of Direct Earned Premium

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Appendix, Exhibit 2

DERIVATION OF COUNTRYWIDE INVESTMENT INCOME OFFSET

(1) Discount Rate = 4.5%

Year of Payment	Paid Loss + ALAE Development Factor	Cumulative Percent of Losses Paid	Incremental Percent of Losses Paid	Discounted Incremental Percent of Losses Paid
(2)	(3)	(4)	(5)	(6)
1	16.187	6.18%	6.18%	6.04%
2	2.698	37.06%	30.89%	28.91%
3	1.499	66.71%	29.65%	26.56%
4	1.224	81.70%	14.99%	12.85%
5	1.088	91.91%	10.21%	8.38%
6	1.046	95.60%	3.69%	2.90%
7	1.025	97.56%	1.96%	1.47%
8	1.015	98.52%	0.96%	0.69%
9	1.010	99.01%	0.49%	0.34%
10	1.000	100.00%	0.99%	0.65%
			100.00%	88.79%

(7) Investment Income as Percent of Losses + ALAE =	11.21%
(8) Expected Loss + ALAE Ratio =	80.00%
(9) Investment Income as Percent of Premium =	8.97%
(10) Investment Income Offset =	-8.97%

Notes:
- (3) Unlimited Paid Loss + ALAE Development Factors from Towers Perrin Reserve Analysis as of 12/31/08.
- (4) = 100.00% / (3)
- (5) = [(4) - (4) for prior year]
- (6) = (5) / {[100.00% + (1)] ^ [(2) - 0.5)]}.
- (7) = Total (5) - Total (6)
- (9) = (7) * (8)
- (10) = Additive Inverse of (9)

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Appendix, Exhibit 3

DERIVATION OF STATE CREDIBILITY FACTOR

Report Year	Reported Claims
(1)	(2)
2003	42
2004	45
2005	35
2006	48
2007	52
Total	222

(3) Full Credibility:	1,500
(4) Credibility Factor:	38.47%

Notes:
(3) = Expected 3 year countrywide claim count for PICA Podiatrists.
(4) =[{Total (2)} / (3)] ^ 0.5.

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Appendix, Exhibit 4

STATE PREMIUM ADJUSTMENT FACTORS

(1) Report Year	(2) Rate Change	(3) Rate Change Factor	(4) Cumulative Rate Change Factor	(5) Average Earned Premium Factor	(6) Premium Adjustment Factor
2000	0.00%	1.0000	1.0000	1.0000	1.5773
2001	4.00%	1.0400	1.0400	1.0200	1.5464
2002	10.30%	1.1030	1.1471	1.0936	1.4423
2003	25.00%	1.2500	1.4339	1.2905	1.2222
2004	0.00%	1.0000	1.4339	1.4339	1.1000
2005	0.00%	1.0000	1.4339	1.4339	1.1000
2006	10.00%	1.1000	1.5773	1.5056	1.0476
2007	0.00%	1.0000	1.5773	1.5773	1.0000
2008	0.00%	1.0000	1.5773	1.5773	1.0000

Notes:
(3) = 1.0000 + (2).
(4) = Cumulative Product of (3).
(5) Assumes continous distribution of writings throughout the year.
(6) = (5) for 2009 / (5) for applicable Report Year.

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT
ILLINOIS

Appendix, Exhibit 5

EARNED PREMIUM ADJUSTED TO CURRENT RATE LEVEL
WITH RECOGNITION OF CLAIM FREE DISCOUNT

(1)	(2)	(3)	(4)	(5)	(6)
Report Yr	PICA Podiatry Direct Earned Premium	PICA Podiatry Premium Adjustment Factor	PICA Podiatry On-Level Premium	Projected Impact of Claim Free Discount	On-Level Premium Adjusted for Claim Free Discount
2003	3,636,002	1.2222	4,443,922	91.17%	4,051,524
2004	5,105,575	1.1000	5,616,133	91.17%	5,120,228
2005	6,054,240	1.1000	6,659,664	91.17%	6,071,616
2006	6,753,755	1.0476	7,075,234	91.17%	6,450,491
2007	6,695,717	1.0000	6,695,717	91.17%	6,104,485
	28,245,289		30,490,670		27,798,344

(7)	(8)	(9)	(10)
Report Yr	PICA Podiatry Direct Earned Premium	Anticipated Reduction in Premium Due to Claim Free Discount	Projected Impact of Claim Free Discount
2007	6,695,717	591,000	91.17%

Notes:	
(4)	= (2) x (3).
(5)	From Column (10).
(6)	= (4) x (5).
(10)	= 100.00% - [(9) / (3)].

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT

Appendix, Exhibit 6

DERIVATION OF COUNTRYWIDE DIRECT PAID LOSS + ALAE DEVELOPMENT FACTORS

	Age of Report Year in Months									
Report Yr	6	18	30	42	54	66	78	90	102	114
1999			8,948,423	14,033,116	17,025,705	17,744,369	17,925,709	18,210,923	18,386,903	18,455,954
2000		4,698,306	13,913,531	17,853,508	19,067,108	20,362,848	21,265,660	21,320,134	21,455,704	
2001	247,487	7,142,442	14,135,443	17,864,622	19,405,759	19,868,507	20,215,867	20,263,263		
2002	680,356	7,883,343	21,530,996	27,302,755	32,527,198	34,263,377	34,690,210			
2003	473,726	10,657,116	24,447,450	31,547,733	36,175,581	38,488,105				
2004	1,091,456	9,906,366	22,032,169	31,261,578	36,962,269					
2005	417,231	7,983,074	20,778,609	30,472,252						
2006	497,328	10,400,110	28,686,896							
2007	551,109	10,885,571								

	Age to Age Factors									
Report Yr	6 to 18	18 to 30	30 to 42	42 to 54	54 to 66	66 to 78	78 to 90	90 to 102	102 to 114	114 to Ult
1999			1.568	1.213	1.042	1.010	1.016	1.010	1.004	
2000		2.961	1.283	1.068	1.068	1.044	1.003	1.006		
2001	28.860	1.979	1.264	1.086	1.024	1.017	1.002			
2002	11.587	2.731	1.268	1.191	1.053	1.012				
2003	22.496	2.294	1.290	1.147	1.064					
2004	9.076	2.224	1.419	1.182						
2005	19.133	2.603	1.467							
2006	20.912	2.758								
2007	19.752									
Wtd. Avg.	16.384	2.480	1.354	1.152	1.053	1.020	1.007	1.008	1.004	
5 Yr Wtd Avg.	16.442	2.509	1.345	1.145	1.053					
3 Yr Wtd Avg	19.970	2.527	1.387	1.173	1.051	1.023	1.007			
Selected	16.384	2.527	1.387	1.173	1.051	1.020	1.007	1.008	1.004	1.000
Cumulative	73.628	4.494	1.778	1.282	1.093	1.040	1.019	1.012	1.004	1.000

PODIATRY INSURANCE COMPANY OF AMERICA
ACTUARIAL SUPPORT FOR PROPOSED CLAIM FREE DISCOUNT

Appendix, Exhibit 7

DERIVATION OF COUNTRYWIDE DIRECT REPORTED LOSS + ALAE DEVELOPMENT FACTORS

	Age of Report Year in Months									
Report Yr	6	18	30	42	54	66	78	90	102	114
1999			16,905,616	19,529,915	18,396,551	18,260,776	18,316,710	18,374,412	18,466,105	18,455,954
2000		17,339,538	19,718,267	21,546,794	21,541,739	21,681,039	21,547,778	21,597,051	21,662,326	
2001	6,343,681	15,141,242	18,613,913	20,556,750	20,517,194	20,535,476	20,268,899	20,267,838		
2002	12,991,837	28,579,385	33,737,028	35,312,133	35,068,260	35,309,154	36,298,410			
2003	10,669,390	32,987,772	37,717,832	40,512,406	42,613,922	41,935,887				
2004	12,695,806	28,092,841	36,073,408	39,055,259	40,676,250					
2005	10,708,096	26,463,144	38,540,424	40,137,863						
2006	13,059,694	40,727,146	51,944,432							
2007	10,178,978	42,635,003								

	Age to Age Factors									
Report Yr	6 to 18	18 to 30	30 to 42	42 to 54	54 to 66	66 to 78	78 to 90	90 to 102	102 to 114	114 to Ult
1999			1.155	0.942	0.993	1.003	1.003	1.005	0.999	
2000		1.137	1.093	1.000	1.006	0.994	1.002	1.003		
2001	2.387	1.229	1.104	0.998	1.001	0.987	1.000			
2002	2.200	1.180	1.047	0.993	1.007	1.028				
2003	3.092	1.143	1.074	1.052	0.984					
2004	2.213	1.284	1.083	1.042						
2005	2.471	1.456	1.041							
2006	3.119	1.275								
2007	4.189									
Wtd. Avg.	2.800	1.248	1.076	1.013	0.997	1.007	1.002	1.004	0.999	
5 Yr Wtd Avg.	2.982	1.262	1.066	1.022	0.997					
3 Yr Wtd Avg	3.235	1.328	1.066	1.030	0.996	1.008	1.002			
Selected	2.800	1.328	1.066	1.030	0.996	1.007	1.002	1.004	0.999	1.000
Cumulative	4.116	1.470	1.107	1.039	1.008	1.012	1.005	1.003	0.999	1.000

PODIATRY INSURANCE COMPANY OF AMERICA
A MUTUAL COMPANY

PODIATRIC

RATING MANUAL

PODIATRY INSURANCE COMPANY OF AMERICA
A MUTUAL COMPANY

PODIATRIC RATING MANUAL

I. GENERAL RULES

This manual includes underwriting rules and regulations as they relate to underwriting for Podiatric Physician Malpractice Liability.

A. INSURED CLASSIFICATION

1. Preceptee: Coverage is provided for podiatric college graduates or residents entering preceptorship (apprenticeship/training) programs conducted by preceptors who are PICA policyholders. The preceptorship program must last for one year, both preceptee and preceptor must sign the Preceptorship Certificate and the preceptor must be insured by PICA. Optional Extension Coverage is issued concurrently with the policy and earned completely on the first day of the policy. Financial responsibility is with the named insured.

2. Resident: Coverage is provided for residents in an American Podiatric Medical Association Council on Podiatric Medical Education approved program or a program in candidate status. Optional Extension Coverage is issued concurrently with the policy and earned completely on the first day of the policy. Financial responsibility is with the named insured. Coverage is only for responsibilities as a part of the residency program.

   Coverage requested for moonlighting must be approved by the Residency Director. If approved by the Residency Director, a new practitioner policy will be issued with the proper classification (sole practitioner or employed podiatrist). The resident must weigh the benefit of moonlighting since the new practitioner policy does not include Optional Extension Coverage (OEC coverage). The next year will be rated under the second year premium. "Documentation" is critical for the underwriting file.

   a. Veterans Administration Residency: This is a modification of the existing resident policy, allowing more than one resident to be covered under one policy. The policy will cover residents during rotations outside of the Veterans Administration facility, not to exceed 261 days per premium charged. Outside rotations must be an integral part of the residency program. Individuals must be "Scheduled" on the policy with the Optional Extension Coverage endorsement being issued upon receipt of the final audit from the residency program. This ensures proper documentation of outside rotations as well as appropriate premium charges. Financial responsibility of this policy is contracted by signature with the residency director on the "Schedule." Risk management discounts will not be allowed on this policy, but will be allowed when the resident renews as a new practitioner.

3. Partnership, Corporation or Professional Association: All owners in the entity must be insured with PICA and maintain the same Limits of Liability. There is no additional premium for a "shared" Limit of Liability.

Unless required by state regulations, separate Limit of Liability is optional for an additional 5% of the total premium charged to each insured in the corporation or partnership. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.

4. Ambulatory Surgical Center: Coverage is provided with the following criteria:
   a. A majority of the owners must be insured with PICA.
   b. Coverage of $1,000,000/3,000,000 is mandatory.
   c. A Certificate of Insurance is required from all non-PICA users with Limits of Liability of $1,000,000/3,000,000.
   d. A written agreement must be provided between the facility and a local hospital where immediate admission will be granted in the event of an urgent or emergency situation.
   e. Premium will be based on PICA's mature $1,000,000/3,000,000 coverage multiplied by the total number of podiatric physicians(with the exception of PICA insured employed podiatrists and podiatric residents) multiplied by 10%. Coverage is provided for the ambulatory surgical center based upon the total number of PICA insured owners, non-PICA insured owners and all non-owner podiatric physician users.

5. Podiatric Medical Schools: Separate application and policy forms are available for institutional coverage to include residents, teaching staff and students.

B. SURGICAL AND NON-SURGICAL POLICY DEFINITION Coverage is provided for all procedures authorized by state statute and/or regulation in each state a license is held.

Surgery shall include any procedure requiring an anesthetic or intravenous or gaseous sedation including post-operative treatment. Exceptions to this definition include diagnostic and therapeutic injections, surgical procedures involving the nails, excision of skin lesions, incision and drainage of abscesses and the treatment of ulcers.

Post operative treatment will be covered under a non-surgical policy if and only if the podiatric physician performing the surgery maintains a surgical policy with PICA.

A podiatric physician acting as an assistant surgeon will not be covered under a non-surgical policy.

C. POLICY TERM

Policies are written for a one year term and renewed annually thereafter. On exception, a short term policy may be issued on a pro-rata basis and then renewed for an annual term thereafter.

D. PREMIUM COMPUTATION/ROUNDING TABLE

1. All premiums are for an annual period.

2. Computation of the premium at inception uses the premium in effect at the time. Retroactive coverage will be provided to the insured's previous policy retroactive date (provided that the podiatric physician's prior policy is a claims-made policy). At each renewal, computation of the premium will be at the premium in effect at the time.

3. Premiums are calculated as specified for the respective coverage (i.e. surgical, non-surgical, resident or preceptee).

4. Each insured is rated in the state and/or territory where he or she practices more than 50% of the time.

5. Rounding to the nearest dollar amount is done at each step of the computation process, as opposed to rounding the final premium. (Round a premium involving $.50 or over to the next higher whole dollar; less than $.50 to the previous whole dollar.)

E. PREMIUM DISCOUNTS

1. Employed Podiatrist: A podiatrist must be employed 100% of the time without ownership interest to receive a 25% employed podiatrist discount. The insured cannot have any ownership interest and work for the corporation and receive the employed podiatrist discount. It is pertinent to know who provides coverage for the employer.

2. New Practitioner: The first-year professional liability claims-made premium is reduced 75%, the second-year premium 50%, the third-year premium 35% and the fourth-year 20%. No finance charges will be applied to the first, second, third or fourth year.

   This applies to recent podiatric medical school and/or residency graduates, practitioners who have completed a preceptorship, practitioners who have completed three years of service in one of the Armed Forces or other government programs.

A new practitioner who has completed an American Podiatric Medical Association Council on Podiatric Medical Education (CPME) approved residency program or a program that is in candidate status will be provided with free retroactive coverage. The practitioner must submit verification of prior claims-made insurance coverage with no lapse.

The new practitioner discount will be allowed for applicants requesting retroactive coverage up to four years in practice.

3. Risk Management: A 10% risk management discount will apply to the following year's annual renewal premium for completing a home study course or attending a PICA/Podiatry Institute meeting. An additional 5% to 15% discount is applied for attending PICA designated risk management meetings that may be a component of an existing podiatric conference as determined by the risk management committee dependent upon the structure and composition of the meeting. The maximum risk management discount available is 15%.

A 10% discount will be granted to new applicants who have completed a risk management program which would have qualified for a risk management discount with their previous carrier.

4. Semi-Retired: Premiums are reduced by 50%. To qualify for this discount, the insured must be at least 55 years of age, must have been insured with PICA for at least five years immediately prior to becoming semi-retired and must not practice more than 20 hours a week. Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

5. Part Time: To qualify for this discount, the insured must practice 1-10 hours to receive a 50% discount or 11-20 hours a week to receive a 25% discount. These discounts will apply to surgical and non-surgical policyholders.

6. Residency Director: An insured who is an appointed Residency Director by the Council of Podiatric Medical Education will be entitled to a 25% discount off his or her individual malpractice premium.

7. Multiple Discounts: The practitioner will receive the greater of the classification discount that applies. For example an insured would receive a 50% semi-retired discount and not an employed podiatrist discount.

8. The following schedule of credits or debits may be used to modify premium for certain insureds, reflecting unique exposure present in those risks. These insureds may qualify for schedule rating because of factors not contemplated in the filed rate structure of the company. Pursuant to underwriting judgment, any or all of the following factors may be considered when assigning credits or debits. A combined maximum credit

or debit of 25% may be applied to recognize risk characteristics that are not reflected in an otherwise applicable rate. Any credits or debits assigned under this plan are subject to annual review. All premium modifications will be noted and documented in the individual insured's file with any premium credit and/or debit in excess of 10% requiring approval of the Underwriting Vice President. Premiums may be modified based upon the following exposure and rating characteristics:

	Credit	Debit
Participation in risk management program	0-15%	N/A
Unusual risk characteristics	0-25%	0-25%
Claims free discounts	0-10%	N/A
Record keeping	0-10%	0-10%
Professional loss history/trends	N/A	0-25%
Group practice or association membership	0-20%	N/A

(N/A = not applicable)

F. COVERAGE CHANGE REQUEST

The premium and rules in effect on the effective date of change apply. Coverage may be increased or decreased at any time during the policy year. Premium changes will be computed on a pro-rata basis.

1. Endorsements: Policies involving corporation, partnership or professional association limits of liability must be consistent. Endorsements are not back dated unless coverage has been replaced and verified. Any change in coverage must be submitted in writing and signed by the named insured.

2. Prior Surgery Covered: For a podiatric physician requesting a change from surgical to non-surgical coverage, the premium will be calculated by averaging the sum of the applicable surgical and non-surgical premium. Subsequent renewal premium will be based on the non-surgical premium.

3. Retroactive Coverage: A copy of the applicant's current declaration page is required to verify the retroactive date. The Underwriting Committee may not approve retroactive coverage. If retroactive coverage is not approved, the applicant will be advised that Optional Extension Coverage should be purchased from their previous carrier. A practitioner accepted on probation is not allowed retroactive coverage.

4. Leave of Absence: This endorsement interrupts the premium and policy for special circumstances. These include, but are not limited to illness, childbirth, sabbatical leave, additional training and other situations as approved by the Underwriting Department. A premium rate of 25% of the practitioner's current premium calculated on a pro rata basis will apply.

5. Locum Tenens Coverage: This coverage will be offered at no charge for periods of sixty days within any policy year, subject to underwriting approval of the replacement podiatric physician.

G. RETURN PREMIUM POLICY

1. Deletion of a state mandated coverage is not permitted unless the entire policy is canceled.

2. Premium will be computed for policy cancellation utilizing the initial premium charged. Short rate computation will apply to requested and non-payment cancellations.

3. Return premium will be computed pro-rata by rounding to the next higher whole dollar when any coverage is deleted or an amount of insurance is reduced.

4. Premium of $5.00 or less will be waived or returned to the Insured if requested. This waiver only applies to cash exchange due on the endorsement effective date.

5. Return premium is sent to the "Named Insured" regardless of who makes the premium payment. In the event of death of an insured, the return premium is sent "To The Estate of ...."

H. POLICY CANCELLATION

1. Return premium is computed pro-rata and rounded to the next higher whole dollar when:
   a. a policy is canceled by the Company.
   b. a policy is canceled by the Insured because of retirement, disability or death.

   (Notices are sent by certified mail to verify receipt of notification.)

2. Return premium is computed short-rate and rounded to the next higher whole dollar when:
   a. a policy is canceled by the Insured.
   b. a policy is canceled for non-payment of premium

   (Notices are sent by certified mail to verify receipt of notification.)

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. A policyholder will be permitted <u>two</u> consecutive non-payment of premium cancellation notices. If it becomes necessary for a third consecutive cancellation notice, the cancellation notice will indicate the policy is being canceled for "Underwriting Reasons" and the coverage will not be reinstated.

a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.

b. Cancellation notice will be sent by certified mail return receipt requested.

II. INSURANCE COVERAGE

This policy includes but is not limited to mandatory Professional Liability coverage as a result of providing or failing to provide professional services on a Claims-Made form. A recently developed plain-language, Modified Claims-Made policy is available for use in states that predominantly offer a Modified Claims Made or Occurrence form. General Liability coverage may be purchased by the policyholder as an optional coverage. Coverages available:

A. Individual Professional Liability

B. Corporation Professional Liability

1. Shared Limit of Liability at no additional charge
2. Separate Limit of Liability is optional for an additional 5% of the total premium charged to each insured in the corporation or partnership. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.

C. General Liability Coverage

This is an optional coverage that responds to Business Premises Liability and Personal Injury Liability on behalf of the Insured. Medical Payments are $250 with Bodily Injury Liability the same limits of liability as selected for the professional liability coverage. Property Damage Limits are $5,000 and Personal Liability limits are $100,000. Annual premiums are indicated below determined by the Bodily Injury limit:

Bodily Injury	One Location	Two or More Locations
$1,000,000/3,000,000	$51.00	$85.00
$1,000,000/1,000,000	$47.00	$78.00
$500,000/$1,000,000	$42.00	$70.00
$250,000/500,000	$38.00	$63.00
$200,000/600,000	$36.00	$60.00
$100,000/300,000	$30.00	$50.00

D. Administrative Defense Coverage Endorsement will cover medical licensing board actions, hospital medical staff peer review actions, managed care decertification actions and Medicaid/Medicare (and other payor) billing and coding errors and omissions.

Included in the current premium, this coverage will be attached by endorsement to all policyholders *(with the exception of residents, preceptees and new practitioners)*. This coverage may be purchased by those "newer" practitioners as indicated below:

Residents, Preceptees or First Year New Practitioners $200

Second Year New Practitioners	$400
Third Year New Practitioners	$600
Fourth Year New Practitioners	$800

III. LIMITS OF LIABILITY

A. $ 100,000 Each Claim / $ 300,000 Annual Aggregate
B. $ 200,000 Each Claim / $ 600,000 Annual Aggregate
C. $ 250,000 Each Claim / $ 500,000 Annual Aggregate
D. $ 500,000 Each Claim / $1,000,000 Annual Aggregate
E. $ 500,000 Each Claim / $1,500,000 Annual Aggregate
F. $1,000,000 Each Claim / $1,000,000 Annual Aggregate
G. $1,000,000 Each Claim / $3,000,000 Annual Aggregate

Refer to Company for additional Limit of Liability options.

Requests for higher limits of liability must be approved by the Vice President of Underwriting. When limits are requested in excess of $1,000,000/3,000,000, approval by PICA reinsurers, through the Chief Financial Officer, is mandatory.

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

A. The percentages in the following Table shall be applied to the mature claims-made premium (4th year premium) in the year coverage is being purchased.

Years of Prior PICA Claims-Made Coverage	Percentage of 4th Year Claims-Made Premium
One	100%
Two	155%
Three	175%
Four or More	180%

B. The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred subsequent to the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).

3. Extended Reporting Period Coverage is granted at no charge in the event

of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.

4. Extended Reporting Period Coverage will be available to all podiatric physicians except those who are canceled for non-payment of premium and/or non-compliance with the terms and conditions of the policy.

5. Should an insured terminate coverage, the insured may purchase Extended Reporting Period Coverage. The insured is eligible for this coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 30 days of policy termination and premium is paid.
   b. The insured requests Extended Reporting Period Coverage within 30 days after the effective date of cancellation of the policy.

6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

Consecutive Years with PICA	Discount Applicable To Extended Reporting Period Coverage Premium
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.

RATING MANUAL SUPPLEMENT
Podiatry Insurance Company of America

State of Illinois

I. Item # 3 under Subsection H. <u>POLICY CANCELLATION</u> of Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following:

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review, and will be charged a $50 reinstatement fee.

    a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
    b. Cancellation notice will be sent by certified mail return receipt requested.

II. Section **IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)** is hereby deleted in its entirety and replaced with the following:

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

<u>For Malpractice Liability</u>

A. The premium for the optional Extended Reporting Period Coverage shall be the product of the applicable percentage factor in the following Table and the expiring annual premium of the policy:

Years of Prior PICA Claims-Made Coverage	Percentage of 4th Year Claims-Made Premium
One	100%
Two	155%
Three	175%
Four or More	180%

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The number of consecutive years of prior claims-made coverage shall be determined as of the date the optional Extended Reporting Period Coverage is purchased.

B. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance) for a period of unlimited duration.

3. Extended Reporting Period Coverage is granted at no charge in the event of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.

4. Extended Reporting Period Coverage will be available to all insureds.

5. The insured may purchase optional Extended Reporting Period Coverage. The insured is eligible for this coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 30 days of the effective date of termination; and
   b. any outstanding premium with respect to the terminated policy is paid

6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

Consecutive Years with PICA	Discount Applicable To Extended Reporting Period Coverage Premium
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.

8. The Company shall inform the Insured of the optional Extended Reporting Period Coverage (ERP) premium at the time the last policy is purchased. The Company may not wait until the Insured requests to purchase the ERP to tell the Insured what the premium will be or how the premium would be calculated.

9. The following credits: Employed Podiatrist, New Practitioner, Part –Time, Semi-Retired and Residency Director (as defined under Rule I.E.) shall, if applicable, be applied when determining the final extended reporting period premium.

   The following credits: Leave of Absence and Risk Management (as defined under Rule I.E.) shall not be applied when determining the final extended reporting period premium.

10. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

For General Liability

A. For General Liability, there is no additional premium charge for an unlimited reporting period under the optional Extended Reporting Period Coverage.

B. For General Liability, if the insured does not choose the free unlimited reporting period coverage, they will be provided a free 5 year extended reporting period after the free 60-day Automatic Extended Reporting Period.

C. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. During the Automatic Extended Reporting Period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

   Under the option of an unlimited extended reporting period, 100% of the aggregate liability limit of the current claims-made policy shall be reinstated for the duration of the extended reporting period.

   Under the option of a free five year extended reporting period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of bodily injury, property damage or personal injury which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).

3. Extended Reporting Period Coverage will be available to all insureds.

4. The insured is eligible for the optional Extended Reporting Period coverage provided:

   a. The insured requests Extended Reporting Period Coverage within 60 days of the effective date of termination; and
   b. any outstanding premium with respect to the terminated policy is paid

5. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

III. **Item E. 8. Schedule Rating** under Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following **Group Discount** as **Item E. 8.** under Section I. **GENERAL RULES**

8. <u>Group Discount</u>: A group of practitioners insured by the company may be eligible for a group discount based on the following:

1. Must have Uniform Tax Identification Number for billing
2. Must be a Legal Entity (i.e. Corporation, Professional Association, Partnership or Limited Liability Corporation)
3. Premium considered for discount excludes employed podiatrists
4. A total annual premium of at least $10,000 will be eligible for the group discount as follows:
   a. $10,000 - $30,000 = 6% discount
   b. $30,001 - $50,000 = 9% discount
   c. $50,001 or greater = 7% discount

IV. The following is added to Rule E., 3. Risk Management under Section I. **GENERAL RULES:**

IPMA and APMA members who attend the PICA sponsored Risk Management Seminar at either the Annual APMA or IPMA will receive a 15% Risk Management discount.

V. The following is hereby added as **Rule E. 9. Claims-Free Discounts** under **SECTION I. GENERAL RULES:**

9. Claims-Free Discounts:

One of the following discounts shall be applied to all eligible policyholders:

Five (5) years claims-free = 5% Discount
Ten (10) years claims-free = 10% Discount

To be considered claims-free, the policyholder must have no claims within the requisite time period that involve a professional liability indemnity payment.

VI. The following is hereby added as **Rule I. Premium Payment Plan Options** under **SECTION I. GENERAL RULES:**

I. <u>PREMIUM PAYMENT PLAN OPTIONS</u>

<u>OPTION A: QUARTERLY INSTALLMENT</u>

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1. A quarterly installment option is available upon issuance of a new policy or upon renewal of an existing policy. The quarterly installment option will include an installment charge of $25.00 per installment or 1% of the total annual premium whichever is less. Available option shall be a quarterly (four payment) option with equal installments of 25% each.

   The first installment is due (as a down payment) when the policy is issued or renewed. The remaining installments are due 3, 6, and 9 months from policy inception.

2. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account.

   Arrangements may be made to allow the Insured time to pay the outstanding balance.

3. Additional premium from a policy change shall be spread over the remaining installments, if any. If there are no remaining installments, additional premium resulting from change shall be billed immediately as a separate transaction.

4. Insureds shall have the option of paying the premium in full at any time without incurring additional fees.

5. In the event that an Insured makes his/her payment after the due date, he/she will be charged a flat late fee of $10.00.

6. The Company shall not apply interest charge.

OPTION B: FIVE PAYMENT PLAN

1. A five payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The five payment premium plan option will include an additional 9.5% annual percentage rate finance charge. This finance charge will apply to all policyholders.

   a. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account. Arrangements may be made to allow the practitioner time to pay the outstanding balance.
   b. In the event that an insured makes his/her payment after the due date, he/she will be charged a flat late fee of $10.00.

OPTION C: TWO PAYMENT PLAN

1. A two payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The two payment premium plan option will not include a finance charge or installment fee.

OPTION D: ANNUAL PAYMENT PLAN

1. An annual payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The annual payment premium plan option will not include a finance charge or installment fee.

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Podiatry Insurance Company of America
2008 Podiatric Rates
Illinois Territory 01 - All counties except Cook

Sole Podiatrist

Limits (000 omitted)	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	$1,674	$2,437	$2,511	$3,655	$3,557	$5,178	$4,185	$6,092
200/600	$2,009	$2,924	$3,013	$4,386	$4,269	$6,214	$5,022	$7,310
250/750	$2,160	$3,144	$3,239	$4,715	$4,589	$6,680	$5,399	$7,859
500/1000	$2,344	$3,412	$3,516	$5,117	$4,981	$7,250	$5,859	$8,529
500/1500	$2,411	$3,509	$3,616	$5,263	$5,122	$7,456	$6,026	$8,772
1000/1000	$2,595	$3,777	$3,892	$5,666	$5,514	$8,027	$6,487	$9,443
1000/3000	$2,846	$4,142	$4,269	$6,214	$6,047	$8,803	$7,115	$10,356

Podiatry Insurance Company of America
2008 Podiatric Rates
Illinois Territory 02 - Cook county only

Sole Podiatrist

Limits	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
(000 omitted)	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	$2,638	$3,840	$3,957	$5,760	$5,606	$8,160	$6,595	$9,600
200/600	$3,166	$4,608	$4,749	$6,912	$6,727	$9,792	$7,914	$11,520
250/750	$3,403	$4,954	$5,105	$7,430	$7,232	$10,526	$8,508	$12,384
500/1000	$3,693	$5,376	$5,540	$8,064	$7,848	$11,424	$9,233	$13,440
500/1500	$3,799	$5,530	$5,698	$8,294	$8,073	$11,750	$9,497	$13,824
1000/1000	$4,089	$5,952	$6,134	$8,928	$8,689	$12,648	$10,223	$14,880
1000/3000	$4,485	$6,528	$6,727	$9,792	$9,530	$13,872	$11,212	$16,320